

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2010 AND ENDING 12/31/2010
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Birkelbach Investment Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

208 S. LaSalle Street, Suite 1442

(No. and Street)

Chicago

Illinois

60604-1180

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Cark Bikelbach

(312)853-2820

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Patke & Associates, Ltd.

(Name - if individual, state last, first, middle name)

300 Village Green Drive, Suite 210

Lincolnshire

Illinois

60069

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Senthilkumar Padmanaban, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Birkelbach Investment Securities, Inc., as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



Sharon Piet
Notary Public

[Signature]
Signature

Chief Executive Officer

Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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Washington, DC
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BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES PURSUANT TO SEC RULE 17A-5**

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Stockholder of
Birkelbach Investment Securities, Inc.
Chicago, Illinois

We have audited the accompanying statement of financial condition of Birkelbach Investment Securities, Inc., (an Illinois corporation) as of December 31, 2010, and the related statements of income, changes in stockholder's equity, and cash flows for the year ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Birkelbach Investment Securities, Inc., as of December 31, 2010 and the results of its operations, changes in stockholder's equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained on pages 12 through 15, inclusive, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Patke & Associates, Ltd.

February 28, 2011
Lincolnshire, Illinois

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2010

Assets	
Cash and cash equivalents	\$ 205,976
Commissions and fees receivable	35,465
Property and equipment, net of accumulated depreciation	5,962
Other assets	<u>17,518</u>
Total assets	<u>\$ 264,921</u>
Liabilities and Stockholder's Equity	
Liabilities	
Accounts payable and accrued expenses	\$ 19,235
Accrued salaries, wages and commissions	<u>157,806</u>
Total liabilities	177,041
Stockholder's Equity	
Common stock, \$1 par value (1,000 shares authorized, 1,000 shares issued and outstanding)	1,000
Additional paid-in capital	173,500
Accumulated (deficit)	<u>(86,620)</u>
Total stockholder's equity	<u>87,880</u>
Total liabilities and stockholder's equity	<u>\$ 264,921</u>

The accompanying notes are an integral part of these financial statements.

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 2010

Revenue	
Commissions and fees	\$ 2,091,549
Other income	3,106
Total revenue	<u>2,094,655</u>
Expenses	
Commission expense	692,115
Compensation and related benefits -	
Officer	302,000
Employees	474,070
Professional fees	101,972
Occupancy and equipment	119,772
Communication and data processing	64,498
Regulatory fees and expenses	30,834
Promotional costs	92,688
Other expenses	217,811
Total expenses	<u>2,095,760</u>
Net (loss)	<u><u>\$ (1,105)</u></u>

The accompanying notes are an integral part of these financial statements.

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2010

	Common Stock	Additional Paid-in Capital	Accumulated (Deficit)	Total Stockholder's Equity
Balance beginning of year	\$ 1,000	\$ 173,500	\$ (82,915)	\$ 91,585
Distributions	-	-	(2,600)	(2,600)
Net (loss)	-	-	(1,105)	(1,105)
Balance end of year	<u>\$ 1,000</u>	<u>\$ 173,500</u>	<u>\$ (86,620)</u>	<u>\$ 87,880</u>

The accompanying notes are an integral part of these financial statements.

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2010

Operating Activities

Net (loss)	\$ (1,105)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation expense	2,385
Changes in operating assets and liabilities:	
(Increase) in commissions and fees receivable	(4,240)
(Increase) in other assets	(1,345)
(Decrease) in accounts payable and accrued expenses	(14,945)
Increase in accrued salaries, wages and commissions	2,659
Net cash (used in) operating activities	<u>(16,591)</u>

Financing activities

Distribution	<u>(2,600)</u>
Net cash (used in) financing activities	<u>(2,600)</u>
Net (decrease) in cash and cash equivalents	(19,191)
Cash and cash equivalents at the beginning of the year	<u>225,167</u>
Cash and cash equivalents at the end of the year	<u>\$ 205,976</u>

The accompanying notes are an integral part of these financial statements.

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

ORGANIZATION AND NATURE OF BUSINESS

Birkelbach Investment Securities, Inc., (the "Company"), an Illinois corporation, was organized on May 31, 1978. The Company is a broker-dealer registered with the Securities and Exchange Commission (the "SEC"), and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. ("SIPC"). The Company conducts business primarily with retail customers and introduces that business on a fully disclosed basis to a clearing broker. The Company holds no customer securities or funds for investment, nor does it owe funds or securities to its customers.

CASH AND CASH EQUIVALENTS

The Company has defined cash equivalents as money market funds that are not held for sale in the ordinary course of business.

USE OF ESTIMATES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company's primary source of revenue is commissions derived from introducing customer orders for securities interests to other broker-dealers which carry the customer accounts as well as commissions related to the sales of interest in private placement offerings. The Company also earns commissions from introducing customer orders for securities interests to mutual funds which carry the customer accounts. Commission revenues and the related commission expenses are recognized on the trade date when the positions are opened or closed by the respective carrying broker-dealer.

INCOME TAXES

The Company has elected IRC Subchapter S status for U.S. federal income tax purposes. Accordingly, no provision for regular income taxes has been made in these financial statements because the stockholder is individually responsible for reporting the Company's income and expenses as reported for income tax purposes. The Company prepares calendar year information tax returns and reports to the stockholder the Company's income and expense items.

Management has continued to evaluate the application of Financial Accounting Standards Board Accounting Standards Codification ("ASC") 740 "Income Taxes" to the Company, and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. The 2007 through 2010 tax years generally remain subject to examination by the U.S. federal and most state tax authorities.

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment is depreciated on a straight-line basis over the estimated useful life.

COMMISSIONS AND FEES RECEIVABLE

Commissions and fees receivable are stated at their estimated realizable value. Allowance is estimated by the Company based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. In the opinion of the Company, all receivables are collectible in full. Therefore, no allowance for doubtful accounts is provided at December 31, 2010.

NET CAPITAL REQUIREMENT

The Company, as a registered broker-dealer with the SEC, is subject to the net capital requirements of Rule 15c3-1 of the Securities Exchange Act of 1934, and has elected to use the basic method as permitted by this rule. Under this rule, the Company is required to maintain net capital equal to the greater of \$5,000 or 6 and 2/3% of aggregate indebtedness, as defined.

At December 31, 2010, the Company had a net capital requirement of \$11,803 and a net capital of \$50,601 or \$38,798 in excess of the minimum net capital requirements.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation is recorded using the straight-line methods over the estimated useful life of the related asset. Fixed assets at December 31, 2010 consist entirely of office furniture and fixtures, which have a useful life of 5 years.

Expenditures for renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. The details of the cost of property and equipment and accumulated depreciation are as follows:

Office furniture and fixtures	<u>\$ 11,925</u>
Accumulated depreciation	<u>(5,963)</u>
Net property and equipment	<u>\$ 5,962</u>

Depreciation expense was \$2,385 for the year ended December 31, 2010 which is included in occupancy and equipment on the Statement of Income.

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

COMMITMENTS

The Company has a non-cancelable operating lease agreement for office space, which expires November 2012. Future minimum lease payments required under the lease are as follows:

2011	101,018
2012	94,261
	<u>\$ 195,279</u>

Total rent expense for the year ended December 31, 2010 amounted to \$113,569 which is included in occupancy and equipment on the Statement of Income. Total rent expense includes \$24,428 which represents payments of rent on emergency office facilities which are leased by the sole stockholder. The company pays the rent on a month-to-month basis and there were no amounts due at December 31, 2010.

CONTINGENT LIABILITIES

The Company is subject to certain pending and threatened legal actions which arise out of the normal course of business, and as of December 31, 2010 the Company has been named party to various legal actions. The Company intends to defend these actions. Litigation is inherently unpredictable, particularly in proceedings where claimants seek substantial or indeterminate damages, or which are in their early stages. The Company cannot predict with certainty the actual loss or range of loss related to such legal proceedings, the manner in which they will be resolved, the timing of final resolution or the ultimate settlement. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various lawsuits will not result in any material adverse effect on the Company's financial position.

The Company is also currently subject to pending administrative complaints with FINRA related to the pending legal actions to which the Company is subject. The resolution of these complaints may result in fines, judgment against the Company or other disciplinary action. The Company cannot predict with certainty the outcome of these actions, the manner in which they will be resolved, the timing of the final resolution or estimate any monetary penalties that may be required. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

SUBSEQUENT EVENTS

Management evaluated subsequent events through February 28, 2011, the date the financial statements were available to be issued. There were no subsequent events to disclose.

SUPPLEMENTARY INFORMATION

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

COMPUTATION OF NET CAPITAL PER UNIFORM NET CAPITAL RULE 15c3-1 YEAR ENDED DECEMBER 31, 2010

Pursuant to SEC Rule 15c3-1, a reconciliation is required if material differences exist between the computation reported on by the independent auditor and the broker-dealer's original unaudited filing of part II or part IIA of the FOCUS report. The following reconciliation is presented:

	Preliminary Net Capital	Audit Adjustments	Final Net Capital
Computation of Net Capital			
Total ownership equity qualified or net capital	\$ 93,373	\$ (5,493)	\$ 87,880
Less: Total non-allowable assets from Statement of Financial Condition	28,480	-	28,480
Less: Other deductions and/or charges	4,679	-	4,679
Net capital before haircuts on securities positions	60,214	(5,493)	54,721
Less: Haircut on other securities	4,120	-	4,120
Net capital	<u>\$ 56,094</u>	<u>\$ (5,493)</u>	<u>\$ 50,601</u>
Non-allowable asset detail:			
Commissions and fees receivable	\$ 5,714	\$ -	\$ 5,714
Property and equipment, net of accumulated depreciation	5,962	-	5,962
Other assets	16,804	-	16,804
Total non-allowable assets	<u>\$ 28,480</u>	<u>\$ -</u>	<u>\$ 28,480</u>
Other deduction and/or charges detail:			
Unsecured debit balances held by broker	<u>\$ 4,679</u>	<u>\$ -</u>	<u>\$ 4,679</u>
Computation of Basic Net Capital Requirement			
Minimum net capital required (6 2/3% of A.I.)	\$ 11,437	\$ 366	\$ 11,803
Minimum dollar net capital requirement of reporting broker or dealer	5,000		5,000
Net capital requirement	11,437	366	11,803
Excess net capital	44,657	(5,859)	38,798
Excess net capital at 1000%	38,939	(6,042)	32,897
Computation of Aggregate Indebtedness (A.I.)			
Total A.I. liabilities from the statement of financial condition	\$ 171,549	\$ 5,493	\$ 177,042
Total aggregate indebtedness	171,549	5,493	177,042
Percentage of aggregate indebtedness to net capital	305.82%	-	349.88%

BIRKELBACH INVESTMENT SECURITIES, INC.

(An Illinois Corporation)

REQUIREMENTS UNDER RULE 15c3-3 YEAR ENDED DECEMBER 31, 2009

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS PURSUANT TO RULE 15c3-3

For the year ended December 31, 2010, the Company operated on a fully disclosed basis and did not hold customer funds or securities. Accordingly, there has been no reserve requirement.

INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3

For the year ended December 31, 2010, the Company did not handle any customer cash or securities. Accordingly, the Company has no possession or control requirements.



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To the Stockholder of
Birkelbach Investment Securities, Inc.

In planning and performing our audit of the financial statements of Birkelbach Investment Securities, Inc. (the "Company") as of and for the year ended December 31, 2010, in accordance with auditing standard generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraphs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraphs and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or deposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and their operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely

basis. A significant deficiency is a control deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for their purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Pathe & Associates, Ltd.

February 28, 2010
Lincolnshire, Illinois